

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name 15th District Court - City of Ann Arbor	County Washtenaw
Fiscal Year End June 30, 2006	Opinion Date September 21, 2006	Date Audit Report Submitted to State January 12, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

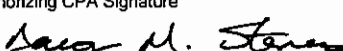
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 	Printed Name Aaron Stevens		License Number 1101024055

**15th District Court Funds
City of Ann Arbor, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

15th District Court Funds
City of Ann Arbor, Michigan

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Principals

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Michael T. Gaffney, CPA
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INDEPENDENT AUDITOR'S REPORT

Honorable Judge Ann Mattson
Chief Judge, 15th District Court
101 East Huron Street
Ann Arbor, Michigan 48107

We have audited the accompanying statement of assets and liabilities of the 15th District Court Funds (an agency fund of the City of Ann Arbor, Michigan) as of June 30, 2006. This financial statement is the responsibility of the District Court's management. Our responsibility is to an express opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statement presents only the 15th District Court Funds, and does not purport to, and does not, present fairly the financial position of the City of Ann Arbor, Michigan, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statement referred to above presents fairly, in all material respects, the financial position of the 15th District Court Funds as of June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statement. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

The accompanying financial statement of the 15th District Court Funds does not present a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statement.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 21, 2006

BASIC FINANCIAL STATEMENTS

15th District Court Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2006

	Agency Funds		Total
	Depository	Bond, Restitution, and Trust	
ASSETS			
Cash	\$ 351,924	\$ 67,864	\$ 419,788
LIABILITIES			
Due to:			
State of Michigan	\$ 98,891	\$ -	\$ 98,891
County of Washtenaw	10,545	-	10,545
City of Ann Arbor	240,923	-	240,923
University of Michigan	1,565	-	1,565
Others			
Bonds, restitution, and trust	-	67,864	67,864
TOTAL LIABILITIES	\$ 351,924	\$ 67,864	\$ 419,788

See accompanying notes to financial statements.

15th District Court Funds
City of Ann Arbor, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the 15th District Court Funds (the "District Court") has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The District Court is governed by one elected judge. There are no component units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District Court's more significant accounting policies are described below.

1. Reporting Entity

The accompanying financial statement presents only the Agency Funds of the 15th District Court, and does not purport to, and does not, present fairly the financial position of the City of Ann Arbor, Michigan, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America, nor does it include other revenue sources attributable to the District Court's operations (i.e., judicial salary subsidy, juror reimbursements, drunk driving caseflow, and drug caseflow reimbursements). The receipts and disbursements of the Agency Funds of the District Court are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities.

2. Basis of Presentation

The funds of the 15th District Court are Agency Funds. The financial activities of the funds are limited to fine and fee collections that are transferred to the Funding Unit (City of Ann Arbor) when processed and bonds and restitution collections that are subsequently returned or paid to third parties by the District Court. The accumulation of fine and fee collections and the ultimate payment to the applicable agencies are the responsibility of the Funding Unit. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The operations of the District Court are included as a separate activity in the General Fund of the City of Ann Arbor. The District Court is an agency fund of the City of Ann Arbor and is included in the basic financial statements of the City as of and for the year ended June 30, 2006.

3. Cash

The District Court Funds' cash consists of checking accounts, with balances totaling \$419,788 at June 30, 2006.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the District Court is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

15th District Court Funds
City of Ann Arbor, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. As of June 30, 2006, the carrying amount of the District Court's deposits was \$419,788 and the bank balances totaled \$423,280. As of June 30, 2006, the bank accounts were insured by the FDIC for \$100,000 and the amount of \$323,280 was uninsured and uncollateralized.

OTHER SUPPLEMENTARY INFORMATION

15th District Court Funds

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS				
Cash	\$ 488,086	\$ 4,346,902	\$ 4,415,200	\$ 419,788
LIABILITIES				
Due to:				
State of Michigan				
Juror compensation fund	\$ 2,865	\$ 30,436	\$ 31,186	\$ 2,115
Crime victim	3,256	31,397	31,600	3,053
Secretary of State fees	2,861	30,490	31,236	2,115
State court fund-civil	804	10,580	10,254	1,130
Recovery fees	100	155	255	-0-
Conservation fees and other	10	-	10	-0-
Civil filing fee fund	14,636	135,439	137,524	12,551
Justice System fund	97,329	838,239	857,681	77,887
Civil jury demand fees	-	290	250	40
Total due to State of Michigan	121,861	1,077,026	1,099,996	98,891
County of Washtenaw				
Statute fines	12,669	89,642	91,766	10,545
City of Ann Arbor				
City fines and costs	164,932	1,685,807	1,703,578	147,161
Jury demand fees	130	1,260	1,230	160
Writ fees	2,295	46,845	47,100	2,040
Court filing fees-Civil	8,044	73,689	74,904	6,829
Civil fees	245	3,135	3,120	260
Court costs	51,520	507,859	512,625	46,754
Crime victim	362	3,400	3,423	339
Attorney fees	-	661	661	-0-
Public safety fees	23,230	201,326	205,804	18,752
Probation oversight fees	12,987	140,380	139,466	13,901
Bond forfeitures	350	25,707	25,555	502
Motion fee	760	10,581	10,211	1,130
Recovery and other fees	1,300	10,792	11,117	975
Secretary of State fees	2,874	30,470	31,224	2,120
Total due to City of Ann Arbor	269,029	2,741,912	2,770,018	240,923
University of Michigan				
Violation fines and recovery fee	427	10,548	9,410	1,565
Other				
Bond funds	72,872	283,388	317,568	38,692
Trust funds	11,228	144,386	126,442	29,172
Total other	84,100	427,774	444,010	67,864
TOTAL LIABILITIES	\$ 488,086	\$ 4,346,902	\$ 4,415,200	\$ 419,788

Principals

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MANAGEMENT LETTER

Honorable Judge Ann Mattson
Chief Judge, 15th District Court
101 East Huron Street
Ann Arbor, Michigan 48107

Dear Judge Mattson:

As you know, we have recently completed our audit of the records of the 15th District Court Funds as of June 30, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Unreconciled bank reconciliation differences should be adjusted appropriately in accordance with the Michigan Court Administration Reference Guide.

One of the District Court's outstanding depository bank accounts reflects an unreconciled difference of approximately \$2,701 as of June 30, 2006.

Paragraph E4(d.6) of section 6-05, Michigan Court Administration Reference Guide, states: "Unreconciled differences between the bank statement balance and the court book balance should be resolved on a timely basis. Should an unreconciled difference exist which cannot be found, the unreconciled difference should be properly adjusted through the local funding unit or court's operational budget on an annual basis."

We suggest that this difference be resolved or that it be properly adjusted in order that the book balance is brought into agreement with the reconciled bank statement balance.

2. Checks that are outstanding for more than one year should be escheated to the State of Michigan.

Old outstanding checks are not periodically reviewed to determine whether any checks should be escheated to the State of Michigan.

Paragraph E6 of section 6-05, Michigan Court Administration Reference Guide, states: "Old outstanding checks should be periodically reviewed and escheated to the State of Michigan. The Unclaimed Property Division of the Michigan Department of Treasury requires that all uncashed checks unclaimed for a period of one year, including undeliverable and outstanding checks, should be escheated as prescribed in Treasury regulations."

We suggest that outstanding checks be reviewed on an annual basis and any checks that are outstanding for more than one year appropriately escheated to the State of Michigan unless an outstanding check can be reissued to the payee.

3. Undeposited receipts should be securely stored at night.

Undeposited receipts and cash on hand are not always kept in a locked safe or other secure device at night. Court receipts that have not yet been entered into the system are kept on employee's desks at night. Receipts are held in this manner waiting for documentation to be available; however this practice jeopardizes the physical security of the funds.

Paragraph F7(m) of section 6-05, Michigan Court Administration Reference Guide, states: "Undeposited checks, money orders and cash should be kept in a locked safe or other locked secure device at night."

We suggest that all undeposited receipts be kept in a locked safe or other secure device at night.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated September 21, 2006.

This report is intended solely for the use of the judiciary and management of the 15th District Court and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 21, 2006